

## **ARIZONA WATER BANKING AUTHORITY Final Minutes**

**December 19, 2001  
Arizona Department of Water Resources**

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### **Welcome/Opening Remarks**

All members of the Authority were present except Sen. Ken Bennett and Rep. Mike Gleason.

### **Approval of Minutes of September 26<sup>th</sup> Meeting**

The Authority approved the minutes from the September 26, 2001 meeting.

### **Water Banking Staff Activities**

Tim Henley, manager of the Authority, reviewed the current deliveries. Mr. Henley stated that total deliveries continue to be below projected deliveries and that total deliveries for 2001 should be approximately 295,000 acre feet. This decrease from projected is primarily due to decreased deliveries to the Granite Reef Underground Storage Project (GRUSP) and the Agua Fria Recharge Project.

Mr. Henley informed the Authority that deliveries were made to GRUSP during the Salt River siphon outage through an exchange agreement between the Salt River Project (SRP) and the Central Arizona Project (CAP). Initial projections estimated 6,000 acre feet could be stored at GRUSP during the outage. Actual storage was approximately 10,000 acre feet.

Mr. Henley reviewed the current state budget situation and the impact of the most current budget proposal on the Authority. In the proposed Fiscal Year 2002 budget, the Authority lost \$2 million. Of that amount, \$1 million was a cut to the general fund appropriation and \$1 million was taken from the interest accrued on the Water Banking Authority Fund. The legislature will address the 2003 budget at a later date and there is uncertainty about what will happen. Mr. Henley stated that he believes the current budget will support the 2002 Plan of Operation as presented, however, there could be constraints developing in 2003, especially in Pinal County. Without a general fund appropriation, Pinal County can only fund about 50% of the historical Groundwater Savings Facility (GSF) activity. Joseph C. Smith informed the Authority that the general fund appropriation request is submitted by the Arizona Department of Water Resources (ADWR) and it appears that at least \$1 million of that appropriation will be in the 2003 base budget.

Mr. Henley introduced Sandy Fabritz, new Technical Administrator for the Authority. Sandy's activities will parallel Gerry Wildeman's with emphasis on interstate activities and coordination between the Authority and the Central Arizona Groundwater Replenishment District (CAGRD), CAP, and ADWR.

Gerry Wildeman reviewed the web page updates.

### **Discussion and Approval of 2002 Annual Plan of Operation**

Mr. Henley stated that the three GUACs were supportive of the 2002 Annual Plan of Operation (Plan) and that the Plan was not presented outside of the AMA's because no non-AMA storage was planned. He reviewed the final Plan and stated that it is very similar to the draft the

Authority received in September. The Plan anticipates 350,000 acre feet of deliveries at a cost of approximately \$17 million. The Plan includes storage at one new facility, Hieroglyphics Mountains, and shows that about 130,000 acre feet of CAP capacity will remain. There is no interstate water banking component included in the Plan because all of the requisite agreements have not been executed. Interstate banking could not commence until the Plan is amended as required by statute.

Bill Chase asked a question regarding the decreased numbers at GRUSP. Mr. Henley replied that SRP has had to curtail deliveries to comply with their agreement with the Salt River Pima Maricopa Indian Community. Mr. Chase also asked whether the information in Table 4 was still correct if the general fund available was only \$1 million and what the effect would be on Pinal County. Mr. Henley replied that the budget was still not finalized so the Plan was developed with \$2 million. Looking at the current situation with a \$1 million general fund expenditure as a base in the FY 2003 budget and the carryover from interest, he felt that the deliveries for Pinal County would still be possible. Mr. Henley also stated that he could transfer funds from other accounts to pay for deliveries. Dick Walden discussed movement of funds in 2001 to provide additional money for Pinal County as the 4¢ *ad valorem* tax dollars and withdrawal fees can only be used in specific locations. Mark Myers provided public comment to the effect that any shifting of funds for 2001 should only occur after amendment of the existing Plan. He stated that the public should be informed about this. Sharon Megdal asked a question regarding the timing of spending of funds and also stated that she felt that Tucson should be involved in any decisions to utilize alternative funding sources in place of the general fund money allocated to Tucson in the Plan. Mr. Henley reiterated that the \$2 million shown for general fund in Table 4 is \$1 million from FY 2002 and \$1 million from FY 2003 and the Plan should be accomplished even though the Authority is likely to lose the FY 2002 appropriation.

The Plan was approved and adopted.

### **Consideration of Action to Authorize the Extension of AWBA Contract Agreements**

Ms. Wildeman informed the Authority that three groups of agreements terminate on December 31, 2001. They are the intergovernmental agreement between the Authority, ADWR and Central Arizona Water Conservation District, the agreement for storage at the Avra Valley Recharge Project, and a number of GSF agreements between the Authority, the GSF operator and the CAWCD. The Authority has been working with the parties to develop new agreements but there have been delays. To allow continued storage while new agreements are being developed, staff requested authorization to extend by letter all of the agreements that will expire on December 31, 2001. The extension is requested for one year, however, the initial extension period is set at four months in hopes that the new agreements will be completed by then. It is anticipated that drafts of the agreements will be presented at the March Authority meeting.

A motion was made and adopted to authorize Mr. Smith to sign the letters extending the current agreements to April 30, 2002 with a total extension time not to exceed one year.

### **Approval of GRUSP Agreement**

Ms. Wildeman reviewed the changes made to the existing agreement between the Authority and SRP for storage at GRUSP, specifically that the term was extended to 2006, the costs were increased slightly, and there was a change in the description of the point of delivery. George Renner had a question regarding the SRP's profit on the interconnect facility. Rich Siegel of SRP stated that the transportation costs for GRUSP are subsidized for the Authority due to the level of Authority participation at the project. The cost for use of the interconnect facility is set by the

GRUSP participants as is the actual storage rate and the amounts are all cost based. Mr. Chase moved to authorize approval of the agreement. The motion was adopted

### **Herb Kai GSF Concepts**

Mr. Henley reviewed the conceptual plan being developed for the Herb Kai GSF facility at Avra Valley. In concept, the plan includes the Authority funding construction of infrastructure at the facility in return for a guaranteed reservation of storage capacity at the site. The concept was developed because the Tucson AMA has a limited amount of GSF capacity and GSF storage costs less than USF storage. By increasing the amount of GSF storage done in the Tucson AMA, the Authority would be able to store a greater amount of water there with the funds available. Mr. Henley stated that staff have been working with Mr. Kai, the Tucson AMA and the Tucson IPAG in development of this concept. CAP has provided comment on the concept. A copy of the letter from CAP, a draft of the agreement providing for payment and reservation of storage and a schematic showing the infrastructure needs were included in the member's books.

Mr. Chase asked Mr. Henley if the Authority had the legal authority to do capital construction. Mr. Henley stated that the Authority did because the initial facilities inventory for the Tucson AMA illustrated that there was insufficient storage there. Mr. Henley also stated that the Tucson AMA could review the available facilities to assist in making a recommendation regarding this concept. Mr. Chase asked what source of funds would be used in this plan. Mr. Henley replied that the Tucson AMA would have to provide guidance regarding use of funds. Mr. Renner stated that he felt that questions related to this plan need to be addressed by the Authority at a later date. He wanted all parties to be aware that there are significant policy decisions to be made regarding this issue and that no one should have any expectations merely because a draft agreement has been prepared. Mr. Henley replied that he believed everyone involved knew that this concept was extremely preliminary in nature.

### **Update on Status of Interstate Discussions**

Mr. Henley informed the Authority that the Storage and Interstate Release Agreement was still the agreement of focus and that a point had been reached where all parties felt fairly comfortable with the document. The next step is the public review process that the Bureau of Reclamation must complete. Mr. Henley stated that it was his hope that the Bureau would limit the comment period to 30 days and, if so, the agreements could be in executable form by the June meeting. Prior to initiation of interstate storage, an amendment of the Plan of Operation would be necessary. Mr. Renner questioned whether the Bureau had agreed to a thirty day comment period and Mr. Henley said yes, however, that individual is retiring. Jim Davenport of the Colorado River Commission of Nevada stated that Nevada is pleased with the progress thus far and is hopeful that interstate water banking will commence in 2002.

### **Update Regarding Governor's Water Management Commission**

Ms. Fabritz informed the Authority that the Commission has completed its tasks and submitted its recommendation to the governor. The next step is drafting of legislation for submittal during this session. Ms. Fabritz reviewed the key recommendations of the Commission and discussed some of the legislative changes that came out of the recommendations that could impact the Authority. Specifically, development of a 20% replenishment reserve by the Central Arizona Groundwater Replenishment District and their equal priority with the Authority's M&I firming needs for excess water and determination by the CAWCD board of the amount of credits developed from the 4¢ *ad valorem* tax dollars to be transferred to them during shortage. Other provisions include Commission support of the current CAWCD rate setting policies for excess water, support of development of

additional recharge facilities and a recommendation for the CAWCD, the Authority, the CAGRD, irrigation districts and ADWR to develop a planning process for future Authority water storage. Tom Griffith asked if there was any effect of the proposed legislation on the Authority. Mr. Henley stated that with the CAGRD advance replenishment obligation there will be another entity in the pool for excess water, however, it shouldn't impact M&I firming due to equal priority. However, there may be long term impacts so the Authority may want to start thinking about extending the available funding authorities.

#### **Call to the Public**

Mr. Henley stated that there may need to be a special meeting held to discuss the Herb Kai concept more fully. There was no public comment.

The next AWBA meeting is scheduled for Wednesday, March 20, 2002.

The meeting concluded at 11:07 a.m.